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U.S. Senate

August 2011

ACQUISITION PLANNING

Opportunities to Build Strong Foundations for Better Services Contracts

U.S. Government Accountability Office

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ACCOUNTABILITY ★ INTEGRITY ★ RELIABILITY

Highlights of [GAO-11-672](#), a report to the Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Civilian agencies obligated over \$135 billion in fiscal year 2010 for services—80 percent of total civilian spending on contracts. Services acquisitions have suffered from inadequate planning, which can put budget, schedule, and quality at risk.

GAO was asked to examine how civilian agencies conduct acquisition planning for services contracts and assessed (1) the extent to which agencies have developed policies and procedures for acquisition planning, (2) how agencies have carried out acquisition planning, and (3) the extent to which agencies' guidance identifies when to begin and how long acquisition planning should take.

GAO reviewed acquisition planning at the four civilian agencies with the most spending on professional, administrative, and management support services. GAO also reviewed Federal Acquisition Regulation (FAR) provisions; agency regulations and guidance; and 24 selected contracts; and interviewed agency officials.

What GAO Recommends

GAO recommends that USAID establish requirements for written acquisition plans and that each agency enhance guidance for cost estimating and lessons learned; DHS, NASA, and USAID concurred. GAO also recommends that each agency establish time frames for pre-solicitation activities. NASA and USAID generally concurred but DHS did not, noting that existing policy states that planning should begin as soon as a need is identified. GAO clarified its recommendation to emphasize pre-solicitation planning activities. HHS had no comments.

View [GAO-11-672](#) or key components. For more information, contact John Hutton at (202) 512-4841 or huttonj@gao.gov.

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ACQUISITION PLANNING

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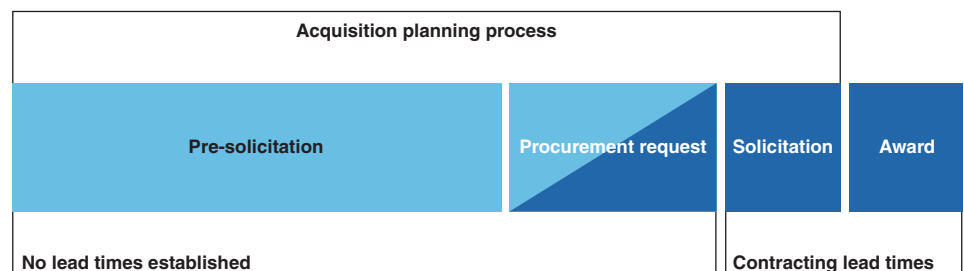
What GAO Found

The Departments of Health and Human Services (HHS) and Homeland Security (DHS), the National Aeronautics and Space Administration (NASA), and the U.S. Agency for International Development (USAID) have established policies that set different requirements and levels of oversight for acquisition planning. Acquisition planning elements—including written acquisition plans, requirements development, cost estimation, and incorporation of lessons learned—are critical to the process. HHS, DHS, and NASA require written acquisition plans that align closely with elements defined in the FAR—USAID does not. All four agencies' guidance include preparing cost estimates and requirements documents during acquisition planning, and DHS and NASA guidance include the consideration of lessons learned from previous contracts in acquisition planning. Agencies' requirements for oversight vary, including who reviews and approves acquisition planning documents.

Agencies did not always take full advantage of acquisition planning to develop a strong foundation for the contracts GAO reviewed, but some have identified ways to encourage improved acquisition planning. Key planning steps were not performed, could have been better used to improve acquisition planning, or were not documented for future use. In particular, GAO found that agencies faced challenges defining their needs, documented cost estimates to varying degrees, and documented lessons learned to a limited extent. GAO identified several practices agencies use to support program staff with acquisition planning, including hiring personnel who specialize in procurement business issues and cost and price analysis and providing templates to assist in preparing key documents.

Most agency components have established time frames for the last phase of acquisition planning—beginning when the program and contracting offices finalize a request for contract package. None of the agency components, however, have measured and provided guidance on the time frames needed for program offices to develop and obtain approvals of key acquisition planning documents during the pre-solicitation phase—which serves as the foundation for the acquisition process—or to finalize these documents in collaboration with contracting offices during the procurement request phase.

Time Measured for Acquisition Planning Phases



Source: GAO analysis of agency acquisition planning processes.

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Abbreviations

HHS	Department of Health and Human Services
DHS	Department of Homeland Security
FAR	Federal Acquisition Regulation
FPDS-NG	Federal Procurement Data System-Next Generation
NASA	National Aeronautics and Space Administration
USAID	U.S. Agency for International Development

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United States Government Accountability Office
Washington, DC 20548

August 9, 2011

The Honorable Joseph I. Lieberman
Chairman
The Honorable Susan M. Collins
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

In fiscal year 2010, civilian federal agencies obligated over \$135 billion for services—ranging from background investigations to aircraft maintenance—that accounted for 80 percent of all money obligated by civilian agencies on contracts. Federal regulations require agencies to perform acquisition planning activities for all acquisitions to ensure that the government meets its needs in the most effective, economical, and timely manner possible.¹ However, our prior work has found that services acquisitions have been plagued by inadequate acquisition planning—including poorly defined requirements, unrealistic cost estimates, and prior lessons learned that were not incorporated—which can increase the risk that the government may receive services that cost more than anticipated, are delivered late, and are of unacceptable quality.

In light of the government's spending on services contracts and past issues with inadequate acquisition planning, you asked us to examine how civilian agencies are conducting acquisition planning. Accordingly, we assessed (1) the extent to which agencies have developed policies and procedures related to acquisition planning, (2) how agencies have carried out acquisition planning in the areas of requirements development, cost estimating, and incorporating lessons learned, and (3) the extent to which agencies' guidance provides time frames for when to begin and how long acquisition planning activities should take.

We focused our work on how agencies conduct acquisition planning for services in general and professional, administrative, and management

¹Federal Acquisition Regulation (FAR) 7.102. The FAR defines acquisition planning as the process by which the efforts of all personnel responsible for an acquisition are coordinated and integrated through a comprehensive plan for fulfilling the agency need in a timely manner and at a reasonable cost. It includes developing the overall strategy for managing the acquisition. FAR 2.101.

support services in particular because civilian agencies had the highest obligations for these services in fiscal year 2009, the most recent fiscal year with complete data available when we began our review.² We further focused our work on the four civilian agencies that obligated the most on professional, administrative, and management support services—the Departments of Health and Human Services (HHS) and Homeland Security (DHS), the National Aeronautics and Space Administration (NASA), and the U.S. Agency for International Development (USAID). Additionally, to review policies and procedures and select contracts, we chose components within each agency with the highest obligations on professional, administrative, and management support services. We reviewed policies and contracts at:

- HHS’s Centers for Disease Control and Prevention and National Institutes of Health;
- DHS’s Customs and Border Protection and Federal Emergency Management Agency;
- NASA’s Goddard Space Flight Center and Johnson Space Center; and
- USAID’s Washington, D.C. Office of Acquisition and Assistance, including services provided for the Democracy, Conflict, and Humanitarian Assistance Division as well as agencywide.³

To determine the extent to which agencies have developed policies and procedures related to acquisition planning, we reviewed FAR provisions in effect in fiscal year 2009 and agency regulations and guidance. We interviewed officials at each agency such as procurement executives, policy officials, and competition advocates—as well as officials at the agency components—to determine the rationales for establishing acquisition planning policies and procedures. To determine how agencies have carried out acquisition planning and the extent to which their guidance provides time frames for acquisition planning, we reviewed 24 contracts—6 from each agency. We selected these based on a range of dollar values, which corresponded to different requirements for written acquisition plans and agency review. We focused our contract review on

²As reported in the government’s procurement database—the Federal Procurement Data System-Next Generation (FPDS-NG).

³We chose two components at each agency with the exception of USAID. We excluded acquisition offices at USAID overseas missions and the contracts administered by those offices.

the following elements: use of written acquisition plans, requirements development, cost estimating, and incorporating lessons learned—elements we have identified in prior work as important to successful acquisition outcomes.⁴ For each of the selected contracts, we interviewed contracting and program officials about their participation in the acquisition planning process to obtain their views on both the challenges with and effective practices for developing written plans, requirements, cost estimates, lessons learned, and time frames for acquisition planning for the selected acquisitions. Our results from the analysis of these contracts are not generalizable because we did not use a representative, random sample. For the agencies and contracts we reviewed, our approach provided greater depth and insight into impediments to effective acquisition planning and factors contributing to successful acquisition planning.

A detailed scope and methodology is presented in appendix I. We conducted our audit work from May 2010 to August 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

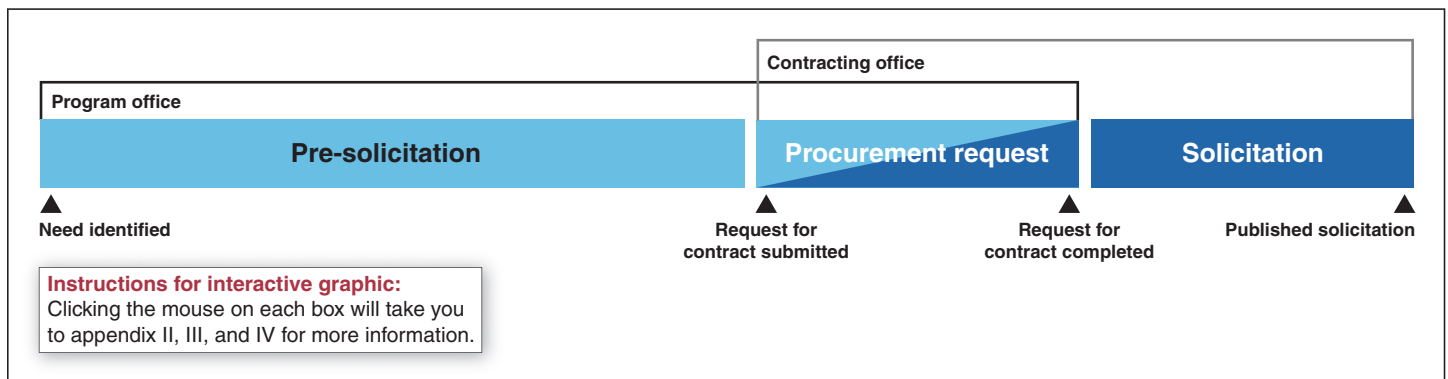
Acquisition Planning Process for Individual Contracts

Acquisition planning activities should integrate the efforts of all personnel responsible for significant aspects of the acquisition. Generally, program and contracting officials share responsibility for the majority of acquisition planning activities. Although there is variation among agency processes, acquisition planning for individual contracts typically occurs in three phases (see figure 1):

⁴For example, see: *GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, [GAO-09-3SP](#) (Washington, D.C.: Mar. 2009); *Department of Homeland Security: Better Planning and Assessment Needed to Improve Outcomes for Complex Service Acquisitions*, [GAO-08-263](#) (Washington, D.C.: Apr. 22, 2008); and *Homeland Security: Further Action Needed to Promote Successful Use of Special DHS Acquisition Authority*, [GAO-05-136](#) (Washington, D.C.: Dec. 15, 2005).

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1. **Pre-solicitation:** Acquisition planning activities generally begin when the program office identifies a need. The program office contacts its contracting office for guidance on how to develop and prepare key acquisition documents. The program office is primarily responsible for conducting market research, defining requirements in a document such as a statement of work, developing cost estimates, and developing a written acquisition plan, if required. The program office also obtains reviews and approvals as necessary from program leadership for the documents prepared.
 2. **Procurement request:** The program office submits a formal request to acquire services, generally known as the request for contract package which can include a requirements document, a cost estimate, and an acquisition plan, if required. At this point, contracting and program officials work together to revise and refine these key planning documents as necessary, until the request for contract package is complete. The contracting officer, using the information submitted by the program office, considers the appropriate contract type and determines how competition requirements will be met. For awards that are expected to have limited or no competition, depending on the proposed cost, the agency or component competition advocate reviews and approves the key documents.
 3. **Solicitation:** The contracting officer develops the solicitation, a document to request bids or proposals from contractors. The agency's legal team and other stakeholders identified in agency or component policies may review the solicitation. Once appropriate reviews have been completed, the contracting officer publishes the solicitation, ending the acquisition planning process.

Figure 1: Typical Acquisition Planning Phases



Source: GAO analysis of agency acquisition planning processes.

Selected Elements of Acquisition Planning

Written acquisition plans, requirements development, cost estimating, incorporating lessons learned, and allowing sufficient time to conduct acquisition planning are several important elements of successful acquisition planning. The FAR directs agency heads to establish acquisition planning procedures, including those related to the selected elements described in table 1.

Table 1: Acquisition Planning in the FAR

Elements of acquisition planning	Acquisition planning in the FAR ^a
Written acquisition plans	Agency heads shall prescribe procedures to: - Establish criteria and thresholds at which the acquisition becomes more complex and costly and requires greater detail and formality in the planning process, and specify if and when to prepare a written plan. - Establish standard acquisition plan formats, if desired, suitable to agency needs.
Requirements development	Agency heads shall prescribe procedures to: - Ensure program officials responsible for acquisition planning specify needs in a way that promotes and provides for full and open competition. - Ensure requirements for services are clearly defined and appropriate performance standards are developed and understandable. The FAR generally requires use of performance-based acquisition practices for services to the maximum extent practicable. This includes the use of requirements documents such as performance work statements and statements of objectives.
Cost estimates	- Written acquisition plans may establish cost goals and provide a rationale supporting those goals. - The contracting officer may use an independent government cost estimate to help establish the reasonableness of contractors' costs or prices.
Incorporating lessons learned	Agency heads shall prescribe procedures to: - Ensure that the contracting officer, prior to contracting, reviews the acquisition history. - Ensure that knowledge gained from prior acquisitions is used to further refine requirements and acquisition strategies.
Time frames for acquisition planning	Agencies should begin acquisition planning activities for contracts as soon as the need is identified and preferably well in advance of the fiscal year when the contract needs to be awarded to obtain timely services.

Source: GAO analysis of the FAR.

^aFor the purposes of this report, we reviewed FAR provisions in effect in fiscal year 2009. In March 2011, several changes were made to FAR Part 7, including additions to the agency head responsibilities. See 76 Fed. Reg. 14,542 (Mar. 16, 2011).

We have previously reported that agencies have faced challenges with many of these elements of acquisition planning—requirements development, cost estimating, incorporating lessons learned, and allowing sufficient time to conduct acquisition planning. Table 2 describes illustrative findings from some of our prior work in these areas.

Table 2: Known Challenges in Acquisition Planning

Elements of acquisition planning	Our previous work
Requirements development	In 2008, we reported that DHS experienced cost overruns, schedule delays, or did not otherwise meet performance expectations in several services contracts for major, complex investments that did not have well-defined requirements, a complete set of measurable performance standards, or both. ^a
Cost estimates	In 2010, we reported the Office of the Federal Detention Trustee faced challenges developing high-quality cost estimates due in part to unstable requirements. ^b In 2010, we also reported on challenges faced by the Department of Energy to develop high-quality cost estimates, including not having coordination between the necessary stakeholders in the process. ^c In 2009, we reported on the importance of having a well-documented, comprehensive, accurate, and credible cost estimate before the government solicits proposals. ^d
Incorporating lessons learned	In 2009, we found little evidence that officials at selected agencies had analyzed contracts' pricing history and requirements to determine if they could transition to a contract type with firmer pricing, even though experience may have provided a basis for doing so. ^e In 2004, we reported that a knowledge base of important lessons learned from the acquisition process and the design and execution of projects can help program and acquisition staff plan future acquisitions using other transactions authority. ^f In 2008, we again observed that knowledge gained from past projects could allow DHS to inform planning to maximize the benefits of future projects. We reported that DHS had not developed a system for capturing knowledge from its own projects, which may have limited its ability to learn from experience and adapt approaches going forward. ^g
Time frames for acquisition planning	In 2010, we reported that contracting officials expressed concerns that not enough time was allowed to execute a sufficiently robust acquisition planning process, including defining requirements, which may have hindered opportunities for competition. ^h In 2008, we reported on challenges to collaboration between DHS contracting and program offices in planning for complex, performance-based services acquisitions, and noted that this type of collaboration often requires more time for acquisition planning. ⁱ

Source: GAO.

^a[GAO-08-263](#).

^bGAO, *Office of the Federal Detention Trustee's (OFDT) Cost Estimation Methods Reflect Features of Best Practices, but Processes Could be Enhanced*, [GAO-10-1037R](#) (Washington, D.C.: Sept. 30, 2010).

^cGAO, *Department of Energy: Actions Needed to Develop High-Quality Cost Estimates for Construction and Environmental Cleanup Projects*, [GAO-10-199](#) (Washington, D.C.: Jan. 14, 2010).

^d[GAO-09-3SP](#).

^eGAO, *Contract Management: Extent of Federal Spending under Cost-Reimbursement Contracts Unclear and Key Controls Not Always Used*, [GAO-09-921](#) (Washington, D.C.: Sept. 30, 2009).

^f[GAO-05-136](#).

^gGAO, *Department of Homeland Security: Improvements Could Further Enhance Ability to Acquire Innovative Technologies Using Other Transaction Authority*, [GAO-08-1088](#) (Washington, D.C.: Sept. 23, 2008). In October 2009, DHS issued guidance that program and contracting officials should discuss and document lessons learned at the conclusion of other transactions authority projects for future use.

^hGAO, *Federal Contracting: Opportunities Exist to Increase Competition and Assess the Reasons When Only One Offer is Received*, [GAO-10-833](#) (Washington, D.C.: July 26, 2010).

ⁱ[GAO-08-263](#).

In addition, we have sustained bid protests in part because agencies did not conduct adequate acquisition planning before awarding contracts on a sole-source basis, as the following examples illustrate:⁵

- In 2005, we found that the Air Force initially attempted to place its requirement under an environmental services contract that, on its face, did not include within its scope the agency's bilingual-bicultural advisor requirement. This obvious error constituted a lack of advance planning, which compromised the agency's ability to obtain any meaningful competition and directly resulted in the sole-source award.⁶
- In 2005, we also found that DHS's Customs and Border Protection did not properly justify an \$11.5 million sole-source bridge contract and failed to engage in reasonable advanced acquisition planning by not taking any steps to seek out other available sources, in spite of knowing many months in advance about a likely need.⁷

Agencies Established Different Requirements and Levels of Oversight for Acquisition Planning

HHS, DHS, NASA, and USAID established policies that set different requirements and levels of oversight for acquisition planning to balance oversight with time and administrative burden. In particular, HHS, DHS, and NASA each require written acquisition plans that align closely with the elements defined in the FAR. USAID requires some documentation of acquisition planning, but, unlike the other agencies we reviewed, it does not require written acquisition plans for individual contracts. Guidance at all four agencies state that cost estimates and requirements documents should be prepared during acquisition planning, and DHS and NASA guidance include the consideration of lessons learned from previous contracts as part of acquisition planning. In addition, agencies have set different requirements for oversight, including who must review and approve acquisition planning documents.

⁵Federal statute provides that under no circumstance may a contract be entered into using noncompetitive procedures due to a lack of advanced planning by contracting officials. 10 U.S.C. § 2304(f)(4)(A) and 41 U.S.C. § 3304(e)(5)(A)(i).

⁶See *WorldWide Language Resources, Inc.; SOS Int'l Ltd.* B-296984., Nov. 14, 2005, 2005 CPD ¶ 206.

⁷See *VSE Corp.; Johnson Control World Servs.*, B-290452.3, May 23, 2005, 2005 CPD ¶ 103.

Most Agencies Have Set Requirements for Written Acquisition Plans

HHS, DHS, and NASA have implemented—in different ways—FAR requirements related to written acquisition plans. Written acquisition plans, in general, discuss the acquisition process, identify the milestones at which decisions should be made, and serve as road maps for implementing these decisions. Plans must address all the technical, business, management, and other significant considerations that will control an acquisition. HHS, DHS, and NASA have set different dollar thresholds for when written acquisition plans are required and provided for exceptions to those requirements for certain contracts, such as utility services available from only one source.⁸ Despite the varying levels of contract award activity and the different dollar thresholds for written acquisition plans across the three agencies, more than 80 percent of the dollars awarded on services contracts in fiscal year 2010 were above the written acquisition plan thresholds.⁹ Procurement officials from these three agencies explained that they established these thresholds to balance oversight with time and administrative burden. USAID, on the other hand, has not established: a dollar threshold at which written acquisition plans for individual contracts are required; guidance on the contents and format of written acquisition plans; or procedures for review and approval of written acquisition plans. See table 3 for written acquisition plan requirements by agency.

⁸The HHS Acquisition Regulation states that written acquisition plans are not required for actions such as: unsolicited proposals; regulated utility services available from only one source; acquisition of commercial items/services; and assisted acquisitions processed pursuant to an interagency agreement. DHS guidance states that acquisition plans are not required for acquisitions such as: emergency acquisitions; actions which have already been included as part of an approved plan such as exercise of options; and procurements conducted under the Small Business Innovative Research Program. Per the NASA FAR Supplement, acquisition plans are not required for acquisitions such as: architect-engineering services; broad agency announcements or unsolicited proposals; basic research from nonprofit organizations; and utility services available from only one source.

⁹For the purposes of this report, “dollars awarded” is the total value of the base and all options for contracts at the time of award. The total value of the contract determines whether or not a contract requires a written acquisition plan.

Table 3: Acquisition Planning Thresholds by Agency

Agency	Written acquisition plan thresholds	Proportion of dollars awarded on services contracts in fiscal year 2010 above the written acquisition plan thresholds
HHS	\$500,000 and above	98 percent of \$15 billion in contract awards
DHS	\$10 million and above ^a	80 percent of \$6.9 billion in contract awards
NASA	\$10 million and above require written acquisition plans/procurement strategy meetings ^b	99 percent of \$83.1 billion in contract awards
USAID	None ^c	0 percent of \$3.1 billion in contract awards

Source: GAO analysis of agency policies and data from FPDS-NG.

^aDHS requires entry of basic information into an Advanced Acquisition Plan database for all planned awards below \$10 million. If the information is not included in the database, DHS guidance states that a written acquisition plan is required.

^bIn certain cases, NASA headquarters may also require procurement strategy meetings for acquisitions below the \$10 million threshold. A procurement strategy meeting is an acquisition plan conducted through a meeting attended by all interested NASA offices, to seek approval for the proposed approach. NASA considers briefing documents and minutes from these meetings, which are required to be included in the contract file, to satisfy the requirements for a written acquisition plan. Any acquisition not expected to exceed \$10 million is to follow component procedures regarding when acquisition plans or procurement strategy meetings are required.

^cAlthough USAID requires some documentation of acquisition planning, it does not require written acquisition plans for individual contracts similar to those required by the other agencies in our review.

For the three agencies that require written acquisition plans, policies and guidance for the contents of those plans closely aligns with the elements described in the FAR. For instance, these agencies require written plans to include an acquisition background and objectives, which details a statement of need, cost goals, delivery requirements, trade-offs, and risks. Agencies also require acquisition plans to include a plan of action, which details prospective sources, source-selection procedures, and logistics and security considerations.

Program and contracting offices generally share responsibility for preparation of written acquisition plans.¹⁰ Contracting officials told us they find written acquisition plans to be valuable roadmaps to help ensure thorough planning. In two of our selected contracts at DHS and NASA, written plans were prepared even though they were not required. A DHS program official told us that he completed a written acquisition plan because he was inexperienced in working with contracts. He reviewed the requirements in the FAR and developed a written plan on his own

¹⁰FAR 7.104(c) requires the acquisition planner to coordinate and obtain the concurrence of the contracting officer in all acquisition planning.

initiative to ensure he thoroughly completed planning, even though the contract was valued at \$4.5 million—below the \$10 million threshold. In addition, components at NASA and HHS told us they expanded the use of written acquisition plans beyond agency requirements. For example:

- NASA requires written acquisition plans for contracts valued at \$10 million and above, and its component, Johnson Space Center, requires a short form acquisition plan for contracts valued between \$5 million and \$10 million. Procurement officials explained that the short form improves documentation of acquisition planning and serves as a training aid for less experienced staff.
- HHS requires written acquisition plans for contracts valued at \$500,000 and above, and almost half of Centers for Disease Control and Prevention's contract awards over the current simplified acquisition threshold of \$150,000 fell below the HHS threshold of \$500,000 in fiscal year 2010.¹¹ As of this year, Centers for Disease Control and Prevention requires written plans for all contracts over \$150,000, unless covered by a regulatory exception. A procurement official explained that contract team leaders initiated lowering the threshold, noting that reviewing these actions allows the procurement office a more comprehensive look at overall acquisition planning, as well as the ability to better plan for more small business participation, use existing Centers for Disease Control and Prevention contracts, and engage departmental strategic sourcing acquisition vehicles.

USAID has not established a dollar threshold or content and format guidance for written acquisition plans for individual contracts. USAID does require some documentation of acquisition planning, including documents used for annual acquisition forecasting and program planning.¹² USAID requires implementation plans for its programs and foreign assistance objectives that should describe plans for competition or waivers of competition and expected completion dates. Implementation plans are unlike written acquisition plans at the other agencies we reviewed; they are not required to include statements of need, cost goals, or source-

¹¹Effective October 1, 2010, the simplified acquisition threshold for most acquisitions was increased from \$100,000 to \$150,000. 75 Fed. Reg. 53,128 (Aug. 30, 2010). Two percent of the total dollar value of contracts awarded by Centers for Disease Control and Prevention were below the \$500,000 threshold in fiscal year 2010.

¹²HHS, DHS, and NASA also have requirements for documentation of annual acquisition forecasting, in addition to written acquisition plans for individual contracts.

selection procedures, among other things. Implementation plans are not prepared for individual contracts: rather, they include multiple types of obligations, including contracts, grants, cooperative agreements, and government-to-government agreements. USAID Office of Acquisition and Assistance officials told us these plans are required regardless of dollar value. However, the policies are not clear about what is required to be documented in implementation plans, the format of the documentation, or who is to perform these tasks.¹³ In addition, USAID programs develop activity approval documents that describe funded activities and may include multiple procurement instruments. USAID policy does not require contracting officers to use activity approval documents as part of planning for a specific contract. Lastly, USAID develops milestone plans for individual contracts using its procurement data system.

None of the six contract files we reviewed at USAID—with award values between \$1.5 million and \$750 million—contained a written acquisition plan. USAID contracting and program officials told us that clearer guidance about requirements for written acquisition plans would be useful. For example, a contracting officer involved in a \$3.2 million operational support contract told us it would be very helpful if USAID would implement more specific acquisition planning formats, similar to ones he provided to program officials when he worked at another federal agency. USAID officials said the agency plans to review the benefits of more consolidated guidance and documentation requirements for acquisition planning.

Agencies' Guidance Call for Requirements Documents and Cost Estimates; DHS and NASA Also Include Incorporating Lessons Learned in Acquisition Planning

The four agencies we reviewed have guidance that requirements documents and cost estimates be prepared during acquisition planning, and DHS and NASA guidance include incorporating lessons learned from previous contracts. Requirements documents are generally part of a request for contract at all four agencies or their components. Requirements documents should define requirements clearly and concisely, identifying specific work to be accomplished. They define the responsibilities of the government and the contractor and provide objective measures to monitor the work performed. They can be, for

¹³USAID officials told us that program officials are responsible for the development of implementation plans and that contracting officials are not required to review them.

example, a statement of work, statement of objectives, or performance work statement.

HHS and DHS generally require cost estimates before solicitation.¹⁴ NASA requires written acquisition plans to include cost estimates and one component we reviewed requires cost estimates whether or not a written acquisition plan is prepared.¹⁵ HHS, DHS, and NASA components we reviewed have guidance available to help program officials prepare cost estimates. USAID requires cost estimates for programs. Cost estimates record the government's assessment of a contract's most probable cost and can be used to make requirements trade-offs in the acquisition planning process. Following acquisition planning, the cost estimate can be used to check the reasonableness of potential contractors' proposals and negotiate prices.

DHS and NASA guidance include the consideration of lessons learned in acquisition planning but HHS and USAID have not established specific procedures or requirements that lessons learned be considered as part of acquisition planning. NASA encourages incorporation of lessons learned into directives, standards, and requirements, among other aspects of acquisitions. In particular, source evaluation boards are encouraged to document lessons learned, which may include aspects of acquisition planning, and provide them to procurement office leadership. NASA guidance further recommends discussions of these lessons learned at planning meetings for subsequent contracts. After we discussed our preliminary findings with DHS officials, DHS revised its acquisition planning guidance in June 2011 to require written acquisition plans to include a discussion of how lessons learned from previous acquisitions impact the current acquisition, or provide a rationale if historical information was not reviewed. HHS and the NASA components we reviewed require that written acquisition plans include an acquisition history. These histories may simply describe specific characteristics of previous related contracts, including contract type, total cost, and

¹⁴DHS guidance exempts the following actions from requiring cost estimates: acquisitions using simplified acquisition procedures; modifications: (1) that are administrative, such as incremental funding increases, (2) to exercise fixed-price options, (3) to resolve cost overruns under cost reimbursement contracts; acquisitions for commercial items; and those acquisitions for items which have prices set by laws or regulations.

¹⁵At Goddard Space Flight Center, a cost estimate is generally required for all acquisitions exceeding the micro-purchase threshold of \$3,000.

contractor. None of the agencies require that an acquisition history include knowledge gained from previous contracts or potential issues that should be addressed in a new contract. In addition, none of the agencies have procedures in place to assure that the contracting officer reviews the acquisition history when written plans are not required to be prepared.

Agencies Have Different Requirements for Reviewing and Approving Acquisition Planning Documents

Agencies’ requirements for who must review and approve acquisition planning documents vary, particularly for written acquisition plans. For instance, written plans for contracts above certain dollar thresholds at DHS and NASA require headquarters-level review, and plans for contracts below those thresholds are reviewed at the component level. At HHS, DHS, and NASA, information on estimated costs is reviewed as part of the review of written acquisition plans. Table 4 describes the written acquisition plan review requirements at HHS, DHS, and NASA. Because USAID does not require written acquisition plans for individual contracts, there are no review and approval requirements.

Table 4: Review and Approval of Written Acquisition Plans

Highest level of review and approval	Contract value		
	HHS	DHS	NASA
Headquarters procurement office	No requirement	Services with annual expenditures of \$100 million and above, unless delegated to component	\$50 million and above, unless delegated to component ^a
Component procurement office leadership	No requirement	Services with annual expenditures below \$100 million, or when approval delegated to component	\$10 million to \$50 million; or as delegated by headquarters ^b
Contracting officer	All contracts ^c	All written acquisition plans approved at a higher level	Johnson Space Center’s \$5 million to 10 million abbreviated “short form plans”

Source: GAO analysis of agency policies and guidance.

^aHeadquarters review is performed by conducting procurement strategy meetings. NASA headquarters can also select contracts for review below \$50 million. See also NASA FAR Supplement 1807.7100.

^bNASA policies leave review of written plans for acquisitions not requiring headquarters approval to the discretion of the components. This information reflects requirements at the components we reviewed.

^cAccording to HHS regulations, the head of the sponsoring program office, project officer, funds certification official, contracting officer and other signatories, in accordance with component policies, shall review and certify that the acquisition plan provides all the required information in the proper format.

Agencies have different policies for reviewing requirements documents, specifically which stakeholders should be involved and whether program

leadership should approve requirements. The agencies' processes for stakeholder involvement and reviewing requirements follow:

- **HHS:** The head of the sponsoring program office must conduct a thorough technical review of the requirements document that is attached to the written acquisition plan.
- **DHS:** In developing requirements, acquisition planners should consult with appropriate representatives from contracting, legal, fiscal, small business, environmental, logistics, privacy, security, and other functional subject matter experts, as needed.
- **NASA:** Program managers and technical authorities for Engineering, Safety, and Mission Assurance, and Health and Medical must review requirements documents.
- **USAID:** The program official responsible for a specific activity drafts the requirements document as part of the request for contract. USAID procurement officials explained that requirements documents usually undergo multiple rounds of editing as the contracting office prepares the solicitation.

In addition to the review and approval processes of specific acquisition planning documents, two agencies have processes to review selected proposed contracts before solicitations are published.

- **HHS:** At National Institutes of Health, a Board of Contract Awards is to conduct pre-solicitation reviews of a sample of about 10 percent of each institute's contracts. According to officials at Centers for Disease Control and Prevention, the Office of Policy, Oversight, and Evaluation is to conduct pre-solicitation reviews of all contracts valued at over \$5 million. In addition, HHS procurement officials reported they are developing an acquisition oversight framework to conduct headquarters-level review of high-dollar and high-risk contracts at key decision points in the acquisition life cycle.
- **USAID:** Contracts with estimated values above \$10 million are required to go to a Contract Review Board before solicitation. However, this requirement is sometimes waived, although there are no clear criteria for when waivers are granted. One of our selected contracts at USAID, a multiple award contract valued at up to \$750 million, received a "gold star" pre-solicitation review waiver based on the contracting officer's reputation and experience and, according to officials, because the template used for the solicitation had been used before. According to documentation in the contract file,

this contract was subject to a bid protest when the published evaluation criteria were not applied because vendors were confused by the requirements in the solicitation.¹⁶ While multiple factors affect when bid protests are filed and whether they are sustained, they are denied or the agency takes corrective action, several contracting officials told us they consider successful bid protests an indicator of inadequate acquisition planning.

Agencies Missed Opportunities to Build Strong Foundations for Services Contracts

Agencies did not always use the acquisition planning process to the fullest extent possible to develop a strong foundation for the contracts we reviewed, but some have identified ways to encourage improved acquisition planning. We found that important planning steps were not performed at all, could have been used more fully to improve acquisition planning, or were not documented for future use. (See appendix V for detailed information on the 24 cases we reviewed.)¹⁷ In particular, we found that agencies faced challenges defining their needs, documented cost estimates to varying degrees, and documented lessons learned to a limited extent. We identified several practices agencies use to support program staff with acquisition planning activities, including hiring personnel who specialize in procurement business issues and cost and price analysis, and providing detailed templates to assist in preparing key documents.

Challenges Defining Agency Needs

In five of our selected contracts at three agencies, programs faced challenges defining their needs in the acquisition planning phase, in some cases resulting in delays in awarding contracts. Four of these contracts

¹⁶In response to the bid protest, USAID took corrective action and the protest was dismissed.

¹⁷Of 13 contracts we reviewed for which written acquisition plans were required by agency policy, in 11 cases a written acquisition plan was prepared. The Centers for Disease Control and Prevention awarded the remaining two contracts, for which written acquisition plans were required by agency policy but not prepared. HHS issued interim guidance in October 2006 requiring written acquisition plans beginning in February 2007, but the Centers for Disease Control and Prevention did not implement this guidance until December 2008. A Centers for Disease Control and Prevention procurement official explained that it took time to implement the new requirements through policy and training. In the interim period, the component's request for contracts package was intended to document acquisition planning at the individual contract level. The procurement official also explained that the component has recently issued policy guidance that emphasizes the use of written acquisition plans as required by HHS.

were time-and-materials or cost-reimbursable, which are riskier contract types for the government. For the fifth contract, NASA incorporated into acquisition planning known challenges defining its needs, specifically the possibility of future requirements changes. Well-defined requirements are critical to ensuring clear communication about what the government needs from the contractor providing services. Program and contracting officials at the four agencies we reviewed noted that this can be a challenging part of acquisition planning and is a shared responsibility between program and contracting officials. Program officials must ensure that they have determined exactly what they need to acquire, have incorporated input from stakeholders, and have made trade-offs to ensure affordability. Contracting officials must ensure that the stated requirements are clear and consistent with law and regulation. In four of our selected contracts, agency requirements were difficult to define and, in some cases, changed after acquisition planning ended.

- For a \$13.6 million follow-on contract at DHS, the program manager responsible for developing requirements during acquisition planning overestimated the level of advertising services needed to support recruitment efforts without coordinating with program leadership. The assistant commissioner of human resources later determined that less advertising support was really needed and approved approximately half the requested funding. It took several months for the program to finalize the support required, resulting in amendments to the published solicitation after the acquisition planning phase ended, and delaying contract award by 3 months.
- For an \$18.7 million contract at USAID, the program official said that it was challenging to incorporate the needs of multiple stakeholders in areas outside her area of responsibility, and to forecast their demand for the services over a 5-year period. Sixteen months after the contract was awarded, the agency had to increase the contract's ceiling by \$10 million—an increase of over 50 percent—due to greater-than-anticipated demand for services.
- For a set of follow-on contracts awarded in 2009 valued at \$750 million, USAID had a 10-year history of difficulty predicting growth in demand for anticorruption program services. Beginning in 1999, three previous sets of contracts for these services reached their cost ceilings quickly and required new contracts before their planned expiration.
- For a \$3.2 million contract at USAID, the contracting officer told us the program had a difficult time determining program and operational support requirements because program staff members were turning over during a change in presidential administration. He noted that

there were a number of unknowns during acquisition planning and it was not possible to estimate the level of support required, so the agency awarded a time-and-materials contract. According to the contracting officer, the agency did not prepare a justification to use this contract type, as required by the FAR.¹⁸

In one case, NASA incorporated the possibility of future changes to requirements into its acquisition planning, although the program decisions driving these changes would not be made until after planning was completed. The written acquisition plan for the \$180 million contract for selected contract services related to the International Space Station notes in its risk assessment that the retirement of the space shuttle created a challenge to defining requirements specifically enough to use an entirely firm-fixed-price contract. NASA modified the contract 1 year after award to incorporate tasks being transferred from other programs, including the ending space shuttle program, as anticipated.

Rationales for Cost Estimates Are Not Always Documented to Inform Acquisition Planning

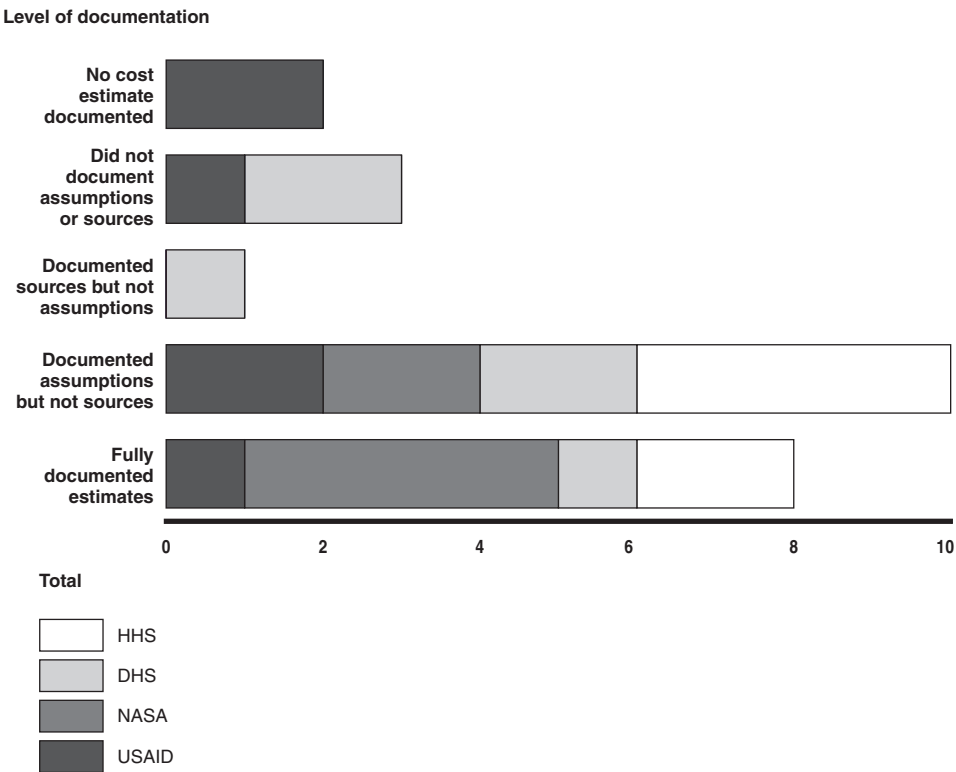
For our selected contracts, agencies frequently did not fully use the cost estimating process to inform acquisition planning. We have previously reported that a well-documented cost estimate is supported by detailed documentation that describes how it was derived, capturing the source of the data used and the assumptions underlying the estimate.¹⁹ The 24 contract files we reviewed had varying levels of documentation for cost estimates prepared during acquisition planning. Specifically, 8 of the contracts fully documented cost estimates and the rationale behind them, 14 of the remaining contracts only partially documented the rationale for

¹⁸Under time-and-materials contracts, payments to contractors are based on the number of labor hours billed at a fixed hourly rate—which includes wages, overhead, general and administrative expenses, and profit—and the cost of materials if applicable. This type of contract is considered high risk for the government because it provides no positive profit incentive to the contractor for cost control or labor efficiency. When a time-and-materials contract type is selected, contracting officials are to document their determination that it is not possible at the time of award to estimate accurately the extent or duration of the work or to anticipate costs with any reasonable degree of confidence. FAR 16.601.

¹⁹[GAO-09-3SP](#).

the cost estimates, and 2 contracts did not document cost estimates prepared during acquisition planning.²⁰ (See figure 2.)

Figure 2: Levels of Documentation for 24 Selected Contracts



Source: GAO analysis of agency data and documents.

In acquisition planning, documentation of estimated costs, typically prepared by the program office, ensures that contracting officials can understand the basis for the estimate and how to use the estimate in later steps of the acquisition process. It is unclear what information was available to USAID contracting officers during acquisition planning in the two contracts without documented cost estimates. In many cases at all

²⁰In one of these cases, a USAID contract awarded to multiple vendors for a total value of \$750 million, a contracting official told us he had filed all documents related to acquisition planning separately from the contract file and could no longer locate this pre-solicitation file, which may have included the cost estimate.

four agencies, the program office did not document the rationale for estimated costs—including sources of underlying data and assumptions—limiting the ability of the contracting office to evaluate the reliability of estimates and reducing opportunities to improve estimates for future contracts.

In addition, not fully documenting cost estimates limits information sharing. While contracting officials told us they have informal conversations with program officials about the rationales for estimated costs, if these conversations are not documented, the information cannot be carried forward to provide insights for any subsequent contract. This is particularly important given the frequent staff turnover in the acquisition workforce: In 8 of the 16 cases we reviewed for which a cost estimate was either not documented at all or not fully documented, either the program official or contracting official involved in acquisition planning could not be reached because they had left that office. For instance, DHS did not document the sources or assumptions for an \$11 million public service campaign follow-on contract. Because the contracting officer involved in acquisition planning left the agency, DHS could not identify a contracting official who was familiar with the planning for that contract. As a result, a future contracting officer or program staff developing the cost estimate for this recurring need will not have this information. Documenting the rationale for cost estimates is particularly important to help ensure the information is available when planning for follow-on contracts. In 16 of the selected contracts we reviewed for which cost estimates were not fully documented, 11 were follow-on contracts.

Program officials' knowledge of how to develop a cost estimate varied. USAID does not have guidance on when and how to use cost estimates for individual contracts. For three of the six cases we reviewed at USAID, the program officials we spoke to had limited knowledge about how and when to complete cost estimates. As a result, contracting officials were not in a strong position to use one of the tools available to help make a determination of fair and reasonable costs or prices, as the following examples describe.

- A USAID program official responsible for acquisition planning for one contract said that she did not feel knowledgeable enough to prepare a cost estimate on her own, she did not receive sufficient assistance from the contracting office, and she was not aware of any guides or resources to help her complete a cost estimate. Further, the program official said she communicated with and received inconsistent guidance from 12 to 15 different contracting personnel during the

course of acquisition planning. This \$18.7 million contract was later modified to increase its total value by more than 50 percent.

- Another USAID program official, assigned to plan for a \$1.5 million contract, described her efforts to prepare a cost estimate as “flying blind” because, at the time, she did not understand how the cost estimate related to the acquisition process, and she did not know that the cost estimate needed to be completed within certain time frames.

Contracting officials’ views differed about the importance of developing accurate cost estimates during acquisition planning. Several contracting officials at HHS said they did not think cost estimates were as important during acquisition planning, noting that they rely heavily on market competition after solicitation to establish a fair and reasonable price. Although competition can aid in establishing fair and reasonable prices, the extent of competition varies in contracts. According to a procurement official at DHS, an accurate cost estimate developed during acquisition planning—before vendors propose prices—provides a more realistic basis for assessing whether any of the offers or bids received are within an acceptable range. Moreover, by delaying attention to cost estimating until after acquisition planning is completed, agencies may be limited in their use of estimates for planning purposes other than for establishing fair and reasonable costs or prices. By rigorously estimating costs during acquisition planning, agencies may be better positioned to assess whether they can afford the services proposed and make trade-offs to better distinguish between needs and wants. For instance, in one case we reviewed at HHS, a program official told us she used the cost estimating process to communicate what level of services the program could afford to purchase given its budget limitations. Because the program official responsible for planning had a clear understanding of estimated costs, she was able to work with her office to narrow requirements to only the highest priority elements.

Limited Documentation of Lessons Learned from Previous Contracts

Agencies documented lessons learned in a quarter of the contracts we reviewed. However, in other cases where agencies did not document lessons learned, they may have missed opportunities to improve acquisition planning based on previously acquired knowledge and experience. Contracting officials from several agencies told us that while they address known major issues encountered in previous contracts, lessons learned are considered to the extent that time allows. Acquisition planning is required for all acquisitions, including follow-on acquisitions. Of our 24 selected contracts, 17 were follow-on awards to previous contracts for similar services, which could have informed acquisition

planning. Contracting officials explained that follow-on contracts are frequently “cookie cutters” of the previous contract with very few changes, as the following examples show.

- For a \$29 million NASA follow-on contract for facility maintenance and operation, the program official involved did not consider the preparation for this contract to be acquisition planning because there were so few changes from the previous contract.
- For a follow-on contract for advertising services to promote emergency preparedness at DHS, program officials told us that they did not identify or incorporate lessons learned from the previous contract during acquisition planning for the current contract.

A written acquisition plan is one opportunity when program and contracting officials could document important lessons and other considerations for future use, though this was not required at the agencies that use written acquisition plans.²¹ Of the 12 follow-on contracts for which written acquisition plans were prepared, 6 of the written plans from HHS, DHS, and NASA included information about lessons learned from the previous contracts. For example, the written acquisition plan for a \$375 million disaster response contract at DHS discussed that a new strategy would be employed in the current contract because the ordering process used under the previous contract hindered rapid response in an emergency. For the other six follow-on contracts, HHS, DHS, and NASA did not document lessons learned in written acquisition plans. However, program and contracting officials told us that knowledge gained in the previous contract was incorporated in some of these cases. For instance:

- For a \$2.5 million educational marketing follow-on contract at HHS, program officials explained that they had experienced issues with obtaining invoices in a timely manner during the predecessor contract, which led them to use an incentive fee arrangement in the current contract. This issue is not documented in the discussion of the acquisition history or the selection of cost type in the written acquisition plan for the contract.

²¹In June 2011, DHS revised its acquisition planning guidance to include a requirement that written acquisition plans document lessons learned from previous acquisitions that impact the current acquisition or provide a rationale for why historical information was not reviewed to obtain lessons learned.

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- For a \$125 million set of follow-on ordering agreements for background investigations at DHS, a program official said that key lessons learned included the type of contract vehicle used and consistency among multiple contractors' requirements documents. These issues are not documented in the written acquisition plan.

Due to staff turnover, this type of institutional knowledge is lost if not documented. In 11 of the 17 follow-on contracts we reviewed, either the program or contracting official involved in acquisition planning was no longer available to provide information about the process at the time of our review. In one case we reviewed at HHS, neither the contracting official nor program official involved in acquisition planning for the \$210 million contract for management and technical consulting services were still at the agency. An HHS contracting official told us they maintained a running list of issues to address in follow-on contracts to ensure lessons learned are not lost. In addition, because the contract file contained significant documentation of the early planning process, we were able to readily understand the decisions they had made and the lessons they learned.

Agencies Have Implemented Additional Tools and Resources to Support Acquisition Planning

We identified several practices agencies use to support program staff with acquisition planning activities, including hiring personnel who specialize in procurement business issues and cost and price analysis. For instance, both DHS components we reviewed have hired business specialists who focus on procurement issues to assist program offices with acquisition planning tasks, which alleviates the burden on contracting officials. For a \$125 million contract at Customs and Border Protection, program officials obtained significant assistance from the business specialist group in developing the cost estimate and requirements document. In this instance, the cost estimate was well documented, the requirements document was clear, and the requirements have not changed since the contract was awarded. Procurement officials at Federal Emergency Management Agency said awareness of their acquisition business specialists has been raised by conducting "road shows" within the contracting organization and individual meetings with key decision makers on the program side. As a result, these specialists have been used increasingly in recent months, and some program offices have provided office space so they can work side-by-side with program staff. In addition to these business specialists, procurement officials said Federal Emergency Management Agency has also hired 10 full-time permanent employees to aid in planning, providing acquisition guidance and consulting support to program offices. A contracting official told us that

some centers at HHS's Centers for Disease Control and Prevention have similar support specialists in their business services units and that this support helps technically-minded scientists in the program offices with the procurement process.

In addition, contracting and program officials at Customs and Border Protection, Johnson Space Center, and National Institutes of Health noted the value of having in-house cost and budget specialists to aid program officials in developing cost estimates. For example, a Customs and Border Protection contracting official noted that program staff for a \$125 million background investigations contract had access to an in-house cost and price analysis group to obtain assistance with developing a cost estimate. Other advisory offices also assist program staff in developing acquisition planning documents. For example, NASA's Johnson Space Center has a Source Evaluation Board Office, which officials said plays a support role for the program and contracting offices during acquisition planning in addition to the subsequent source evaluation process.

Agencies have tools for program staff to use in developing cost estimates. The components we reviewed at HHS, DHS, and NASA have established guides for program staff that made clear when and how to complete a cost estimate. At HHS and USAID, contracting officials said they shared informal templates and sample cost estimates among themselves for use in assisting program officials. Several contracting officials we spoke to said they had either developed their own cost estimation templates or had templates they routinely provided to program officials as a clear model. USAID procurement executives noted that more training in developing cost estimates would be useful for their program officials.

Contracting officials told us that they provide support when program officials do not have acquisition planning experience, but the contracting workforce has limited capacity to assist programs with planning activities given their workload demands and workforce constraints. At NASA's Johnson Space Center, contracting officials are co-located with program offices to encourage frequent interactions throughout the acquisition lifecycle. However, contracting officials at all four agencies told us they have many competing demands, such as planning for higher priority contracts and awarding and administering contracts. In one case at HHS, program officials submitted their request for a follow-on contract for logistics and meeting support services to contracting officials nearly 3 months before the previous contract was to expire, but contracting officials did not respond due to workload. The contract was awarded

under noncompetitive procedures for \$4.1 million and 6 months later than planned, requiring an extension to the previous contract—which had been awarded under competitive procedures. In two other cases, one at USAID and one at DHS, program officials told us they had to substantially rework certain acquisition planning steps due to turnover in the contracting office.

To incorporate lessons learned more broadly across organizations, procurement officials at HHS, DHS, and NASA components noted that they disseminate issues and best practices that arise across their organizations. For instance, at both HHS components we reviewed, procurement officials collect and post lists of substantive issues that arise from their contract review process and bid protest decisions via intranet or newsletter. According to one contracting official, this mechanism may help inform contracting officers of typical pitfalls in acquisition planning. Similarly, at NASA's Goddard Space Flight Center and Johnson Space Center, procurement staff members document substantive issues that arise in the Source Evaluation Board process for use in future and related contracts. In addition, Federal Emergency Management Agency procurement officials told us they maintain guides for the most important hurricane-related contracts to ensure that lessons learned are tracked and continually applied to help ensure a quick response during a disaster.

Some agency components have also taken steps to encourage early acquisition planning, including instituting annual consultations about anticipated contracts and reminder systems about expiring contracts. Officials at Centers for Disease Control and Prevention described processes linking the initiation of planning for individual contracts into annual processes for strategic organizational acquisition planning, including meetings between programs and contracting officials at the beginning of each fiscal year. Further, Federal Emergency Management Agency has recently implemented a policy that reserves the option for the Chief Financial Officer to set aside an acquisition's approved funding for other requirements when programs do not meet deadlines intended to ensure timely contract award.

Agencies Have Not Established Time Frames for When Program Offices Should Begin Acquisition Planning

Most agency components have established expected time frames for the last phase of acquisition planning—beginning when the program and contracting offices finalize a request for contract package. However, none of the agency components have measured and described in guidance the time needed for program offices to develop and obtain approvals of key acquisition planning documents—including statements of work, cost estimates, and written acquisition plans, if required—during the pre-solicitation phase, which serves as the foundation for the acquisition process. Agencies have also not measured the time needed during the procurement request phase to finalize these documents in collaboration with contracting offices.

Agencies Have Measured and Established Expected Time Frames for the Last Phase of Acquisition Planning

Most agency components in our review have measured and established guidance about expected time frames for the last phase of the acquisition planning process—the solicitation phase which starts when the request for contract package is complete—and the contract award phase. These expected time frames, known as contracting lead times, consider variability such as level of competition, estimated contract value, and commercial availability; serve as typical internal deadlines for contracting offices; and provide program offices with information about contract processing times (see table 5).

Table 5: Contracting Lead Times Established in Agency Guidance

Agency	Contracting lead times established	Considerations for planning lead times ^a	Range of contracting lead times for contract actions (days) ^b
USAID (Washington, D.C.)	✓	Type of contract action and level of competition	27-245
DHS			
Federal Emergency Management Agency	✓	Type of contract action, estimated contract value, and commercial availability of the service or product	30-210
Customs and Border Protection		Customs and Border Protection has not established contracting lead times.	—
NASA			
Goddard Space Flight Center	✓	Estimated contract value and level of competition	17-297
Johnson Space Center		Johnson Space Center has not established contracting lead times.	—
HHS			
National Institutes of Health	✓	Type of contracting method, estimated contract value, level of competition, and whether or not contract is for research and development	1-360
Centers for Disease Control and Prevention	✓	Type of contract action, estimated contract value, and level of competition	24-100

Source: GAO analysis of agency guidance.

^aContract actions include, for example, new contract awards, task orders, and actions using simplified procedures, but exclude modifications. Level of competition describes whether or not the action is expected to use competitive procedures.

^bFor some agencies, these ranges are updated annually.

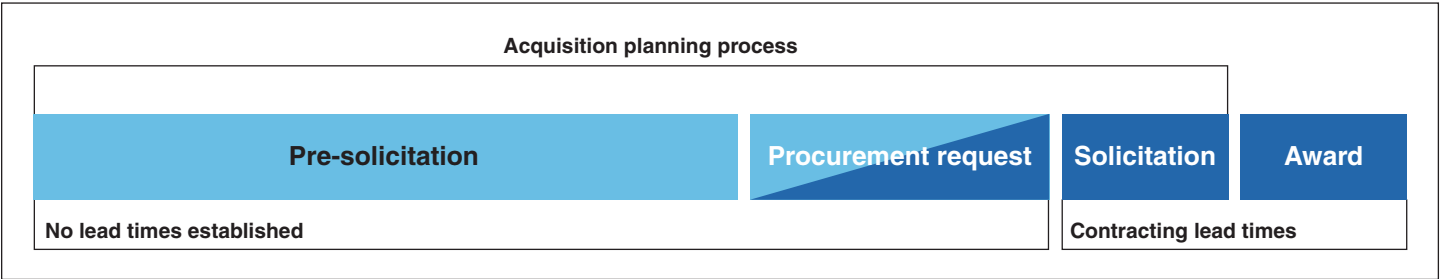
Contracting lead times established in guidance varied greatly among the agency components in our review. For instance, contracting lead times in Federal Emergency Management Agency's guidance varied from 30 days for orders under existing agreements and contracts to 210 days for new non-commercial contracts that have an estimated value of \$50 million or more. Similarly, contracting lead times in Goddard Space Flight Center's guidance ranged from 17 days for certain contract actions under \$25,000 using simplified procedures to nearly 300 days for competitive contracts over \$50 million. Johnson Space Center has not established contracting lead times, but officials have established general time frames for steps in the contract award phase. At Customs and Border Protection, officials noted that they have measured the time frames needed to establish contracting lead times and are currently working to implement them in

guidance. According to agency component officials, contracting lead times were developed in a variety of ways, including compiling historical data of procurements, experience gained from past procurements, information gathered through acquisition working groups, and benchmarking with other agencies.

Agencies Have Not Defined the Time Frames Needed to Develop Key Acquisition Planning Documents

Agency components in our review have not measured or incorporated into their guidance the time needed for activities performed in the pre-solicitation phase of acquisition planning—when program officials develop key acquisition planning documents—or the procurement request phase when these documents are revised and completed in collaboration with contracting officials. The time needed for pre-solicitation activities varies depending on the complexity and dollar value of the contract. The pre-solicitation phase of acquisition planning serves as the foundation of the acquisition process (see figure 3): It is when program offices establish the need for a contract; develop key acquisition documents such as the requirements document, the cost estimate, and, if required, the acquisition plan; and obtain the necessary review and approvals, before submitting a request for contract to the contracting office. Based on discussions with program officials and the contract documents we reviewed, the average pre-solicitation phase accounted for roughly half of the total time estimated for acquisition planning activities in our selected cases. Unlike the other agency components we reviewed, Johnson Space Center has measured the time needed for pre-solicitation activities as part of an effort to streamline their acquisition processes, but has yet to establish these time frames in guidance.

Figure 3: Time Measured for Acquisition Planning Activities



Source: GAO analysis of agency acquisition planning processes.

Note: While this time line is notional, the phases are sized relative to the proportion of time allocated to them in our selected contracts.

We found that the time needed to complete pre-solicitation activities for our selected contracts varied widely from less than 1 month to more than 2 years and depended on factors such as complexity of the requirement, political sensitivity, and funding. This variability is similar to the variability agencies have measured for the last phases in establishing contracting lead times, as illustrated in these examples.

- For an \$18 million HHS contract to obtain information technology support, developing key acquisition documents and other pre-solicitation activities took about 27 months. Program officials noted that the pre-solicitation phase was lengthy because the requirements for this contract were complex and the requirements document had to be refined several times by agency stakeholders.
- For a \$125 million DHS agreement to provide background investigation services, agency officials said that pre-solicitation activities took about 8 months to complete. According to agency officials and acquisition planning documents, the contract was politically sensitive because the contract supported increased hiring of personnel who require security clearances to meet congressional mandates. Additionally, given the cost, complexity, and sensitivity of the contract, program officials were required to obtain additional review and approvals from their agency's chief counsel and head of the procurement activity.
- Pre-solicitation activities for a \$421,435 HHS contract to provide biosafety laboratory support took about 1 month to complete. A program official explained that she received funding late in the fiscal year and had limited time to conduct pre-solicitation activities. The program official noted that the requirements for this contract were complex and she would have wanted at least twice as long to complete the process.

We have previously reported that contracting officials stated that program officials were often insufficiently aware of the amount of time needed to complete acquisition planning, including properly defining requirements, which may have hindered opportunities to increase competition.²² For a DHS contract we reviewed valued at up to \$375 million to provide disaster relief, the program manager noted that he had not known how long reviews of the written acquisition plan by DHS headquarters would take. Because the program office did not factor in enough time for this review

²²[GAO-10-833](#).

process, among other steps, award of the contract was delayed by about 2 months. To avoid a gap in services, DHS awarded a bridge contract that extended the length of the original contract.

Conclusions

Sound acquisition planning is important to establishing a strong foundation for successful outcomes for the billions of dollars civilian agencies spend annually acquiring services. Key acquisition planning elements—including written acquisition plans, requirements development, cost estimating, and incorporating lessons learned—are critical to the process, as is allowing sufficient time to conduct acquisition planning. Other than USAID, the agencies we reviewed currently require written acquisition plans that align closely with the elements described in the FAR, and agency policy and contracting officials acknowledge the benefits such plans provide, including helping to clearly define requirements, understand costs, and carry forward any lessons learned. Still, agencies did not always take full advantage of the acquisition planning process to develop a strong foundation for the acquisitions we reviewed. In particular, cost estimating and incorporating lessons learned from previous contracts are not always viewed as important elements of the acquisition planning process. Moreover, agencies varied in how they documented rationales for cost estimates prepared during acquisition planning and any lessons learned, which limits the availability of such information for future use.

In addition, agencies have acknowledged the value of developing contracting lead times—how long acquisition planning activities leading up to a complete procurement request take to move from a complete procurement request to contract award—that recognize the variability of time required for different types of contracts. However, how long the acquisition planning activities leading up to a complete procurement request take is not as well defined. Without a clear understanding of the time frames needed for the acquisition planning process, program officials may not know when to start planning or how long the planning will take, increasing the likelihood of poorly prepared documents and contract delays. Better insights into when acquisition planning should begin would help allow sufficient time to carry out the important acquisition planning activities that are designed to facilitate more successful outcomes.

Recommendations for Executive Action

To promote improved acquisition planning, we recommend that the Administrator of USAID direct the Office of Acquisition and Assistance to

- establish requirements specifying dollar thresholds for when written plans should be developed, documented, and approved;
- establish standard acquisition plan formats that align with the FAR; and
- develop templates and guidance to help program officials prepare reliable cost estimates.

To take fuller advantage of important acquisition planning elements and to ensure that information is available for future use, we recommend that the Secretaries of HHS and DHS and the Administrators of NASA and USAID direct their procurement offices to ensure that agency and component guidance clearly define the role of cost estimating and incorporating lessons learned in acquisition planning, as well as specific requirements for what should be included in documenting these elements in the contract file.

To allow sufficient time for acquisition planning, we recommend that the Secretaries of HHS and DHS and the Administrators of NASA and USAID direct their components' procurement offices to collect information about the time frames needed for pre-solicitation acquisition planning activities to establish time frames for when program officials should begin acquisition planning.

Agency Comments and Our Evaluation

We provided a draft of this report to DHS, HHS, NASA, and USAID. DHS, NASA, and USAID provided written comments stating that they concurred with our recommendations to promote improved acquisition planning by taking fuller advantage of important acquisition planning elements, including clearly defining the role of cost estimating and incorporating lessons learned. The agencies' views differed on our recommendation to collect information about time frames needed for the acquisition planning process. The agency comments are discussed below and included in appendixes VI, VII, and VIII, respectively. HHS had no comments on the draft of this report. DHS also provided technical comments, which we incorporated as appropriate.

USAID concurred with our recommendation to promote improved acquisition planning. USAID noted in its comments that the agency needs to develop more formal, comprehensive policy and procedures for acquisition planning by specifying dollar thresholds for written acquisition

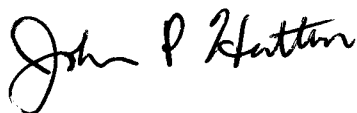
plans and establishing standard acquisition plan formats to fully meet FAR requirements for acquisition planning. USAID also stated that it plans to develop templates and guidance to help program officials prepare reliable cost estimates.

DHS, NASA, and USAID all concurred with our recommendation to ensure that agency and component guidance clearly define the role of cost estimating and incorporation of lessons learned in acquisition planning and the associated documentation requirements. USAID did not indicate specific actions the agency will take to implement this recommendation. NASA noted that it plans to require acquisition plans to fully document the rationale for cost estimates. In its comments, DHS described existing guidance and training related to independent government cost estimates and stated its intention to review its regulations and guidance in accordance with our recommendation. In doing so, it is important that guidance define the role of cost estimates specifically for acquisition planning purposes, which could include making affordability and requirements tradeoffs. This role may differ from the purpose of an independent government cost estimate developed later in the acquisition process. In addition, DHS, NASA, and USAID agreed that they should define the role of lessons learned in the acquisition planning process, as well as establish documentation requirements. In June 2011, DHS updated its acquisition planning guidance to specifically include the incorporation of lessons learned in acquisition planning discussions. In its comments, NASA stated that it intends to require acquisition plans to include lessons learned from earlier contract actions and steps to mitigate these issues.

DHS, NASA, and USAID responses to our recommendation to collect information about the time frames needed for the acquisition planning process to establish time frames for program officials varied. USAID concurred with our recommendation but, in its comments, did not describe specific actions the agency plans to take in response. NASA partially concurred, but did not agree that the procurement offices should establish time frames for program officials' planning, because the time frames will differ across programs. However, we found that, in 2009, NASA's Johnson Space Center procurement office was able to analyze the time taken for steps of the pre-solicitation phase, recognizing that this phase historically had the greatest effect on acquisition schedules at the component. DHS did not concur, commenting that it did not believe it is necessary or an efficient use of resources to address the recommendation because existing regulations and policy already state that acquisition planning should begin as soon as the need is identified.

DHS noted that it recently updated acquisition planning guidance to emphasize the need to begin acquisition planning early, including paying close attention to procurement administrative lead times and early formation of integrated product teams. We found that program officials need more guidance to have a better understanding of how much time to allow for completing fundamental acquisition planning steps in a high-quality manner. Agencies' procurement administrative lead times begin when a procurement request package has been completed, but agencies have not measured and established in guidance the time frames for the acquisition planning activities that lead up to a complete procurement request package. These early activities include conducting market research; defining requirements; developing the statement of work, cost estimate, procurement request, and written acquisition plan, if required; and obtaining approvals for these documents as necessary. We believe that component procurement offices are best positioned to aggregate information about historical planning time frames, particularly given the variation across contract actions, and provide programs with guidance on how long aspects of the planning process may take. Agency components have been successful in capturing variation in contract characteristics such as type of contract action, level of competition, and estimated value in the contracting lead times they have set for the last phase of acquisition planning, and we believe they can accomplish similar analysis for the variation in the early phases. In response to DHS and NASA comments, we clarified this recommendation to emphasize the importance of establishing time frames for pre-solicitation activities.

We are sending copies of this report to interested congressional committees and the Secretaries of HHS and DHS, and the Administrators of NASA and USAID. In addition, this report will be available at no charge on GAO's Web site at <http://www.gao.gov>. Should you or your staff have any questions on the matters covered in this report, please contact me at (202) 512-4841 or huttonj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IX.



John P. Hutton, Director
Acquisition and Sourcing Management

Appendix I: Scope and Methodology

The objectives of this review were to assess (1) the extent to which agencies have developed policies and procedures related to acquisition planning; (2) how agencies have carried out acquisition planning in the areas of requirements definition, cost estimates, and lesson learned in selected cases; and (3) the extent to which agencies' guidance provides time frames for when to begin and how long acquisition planning activities should take.

We focused our work on:

- selected elements of acquisition planning including: written acquisition plans, requirements development, cost estimating, incorporation of lessons learned, and guidance for acquisition planning time frames.¹ We chose these elements because they are critical to the successful planning of a contract.
- acquisition planning for professional, administrative, and management support services contracts because these types of services had the highest obligations by civilian agencies in fiscal year 2009 as reported in the government's procurement database—the Federal Procurement Data System-Next Generation (FPDS-NG).
- four civilian agencies that obligated the most on these types of services in fiscal year 2009: the Department of Health and Human Services (HHS), the Department of Homeland Security (DHS), National Aeronautics and Space Administration (NASA), and the U.S. Agency for International Development (USAID). We chose to focus on civilian agencies and exclude the Department of Defense agencies because GAO had issued a number of reports in recent years that addressed elements of acquisition planning at the Department of Defense.²

To determine the extent to which agencies have developed policies related to selected elements of acquisition planning, we reviewed FAR

¹Federal Acquisition Regulation (FAR) 7.103, 7.104, and 7.105.

²See, for example, GAO, *Defense Acquisitions: Status of DOD's Implementation of Independent Management Reviews for Services Acquisitions*, [GAO-10-284](#) (Washington, D.C.: Jan. 28, 2010); *Defense Acquisitions: Further Actions Needed to Address Weaknesses in DOD's Management of Professional and Management Support Contracts*, [GAO-10-39](#) (Washington, D.C.: Nov. 20, 2009), and *Defense Acquisitions: Tailored Approach Needed to Improve Service Acquisition Outcomes*, [GAO-07-20](#) (Washington, D.C.: Nov. 9, 2006).

provisions in effect in fiscal year 2009 pertaining to acquisition planning and agency regulations and guidance. In particular, we compared the agencies' current policies to the FAR, which prescribes responsibilities of agency heads, or their designees, related to acquisition planning.³ We also interviewed agency procurement executives and policy officials, component-level procurement policy officials, and the competition advocate at the agency or component levels to determine the agency rationale for establishing agency policy and procedures and obtain agency opinion on whether current policy meets acquisition planning requirements in the FAR.

To determine how agencies have carried out acquisition planning in the areas of requirements definition, cost estimating, and lessons learned in selected cases, we reviewed a selection of contracts at each agency and interviewed cognizant contracting officials, and program officials as mentioned above. We specifically inquired about effective practices with regard to the selected elements of acquisition planning. To identify contracts, we selected two components with the highest obligations on professional, administrative, and management support services during fiscal year 2009 from each of the four selected agencies.⁴ Our selection of contracts included 24 contracts, 6 from each agency.⁵ The specific agency component locations in our review were as follows:

- HHS's Centers for Disease Control and Prevention and National Institutes of Health;
- DHS's Customs and Border Protection and Federal Emergency Management Agency;
- NASA's Goddard Space Flight Center and Johnson Space Center; and

³FAR 7.103.

⁴Fiscal year 2009 was the most complete fiscal year data available to us at the time we selected our cases.

⁵For detailed information about each contract we selected, see appendix V.

-
- USAID's Washington D.C. Office of Acquisition and Assistance, including services provided for the Democracy, Conflict, and Humanitarian Assistance Division, as well as agencywide.⁶

Within each selected component we selected three contracts awarded by that component's contracting office in fiscal year 2008 and fiscal year 2009.⁷ Our criteria for contract selection included three tiers based on dollar value and review thresholds set at the time of award by the agencies: (1) one contract with a written acquisition plan that required agency headquarters level review; (2) one contract that required a written acquisition plan but did not require agency headquarters review; and (3) one contract that did not meet the threshold for written acquisition plan but was above the simplified acquisition threshold at the time of this review of \$100,000. We also included a mix of new and follow-on requirements as well as competed and noncompeted contracts.

The reliability of the FPDS-NG data retrieved for our contract selection was assessed and validated using source information (contract identification numbers, contract value, the extent of competition, and the award date) from the selected contract documents. Our results from the analysis of these contracts are not generalizable because we did not use a representative, random sample, though they do illustrate examples of impediments to effective acquisition planning and factors contributing to successful acquisition planning. Because of the limited number of professional, administrative, and management support services contracts in each of our tiers of selection, we were not able to use random sampling for selection.

To determine the extent to which agencies' guidance provides time frames for when to begin and how long acquisition planning activities

⁶We chose two components at each agency with the exception of USAID. We excluded acquisition offices at USAID overseas missions and the contracts administered by those offices.

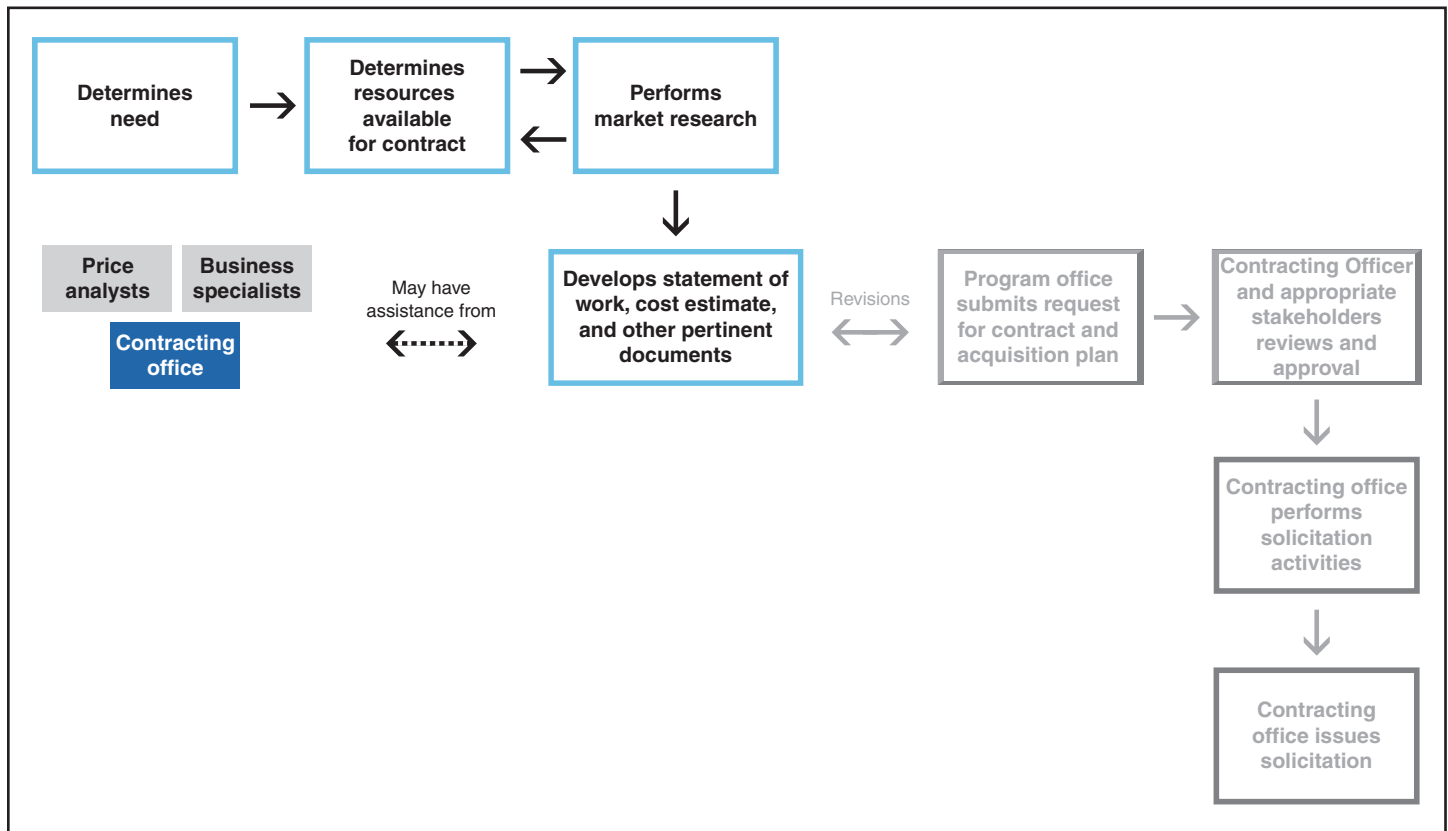
⁷While fiscal year 2009 data was used to identify agencies and components for our review, we also chose contracts from fiscal year 2008 to ensure that we had a sufficient number of contracts to meet our selection criteria. We excluded some agency components that did not have at least three contracts that fit our selection of criteria based on agency thresholds relating to acquisition planning review and dollar value as described in this paragraph. Since USAID does not have dollar thresholds for written acquisition plans, we based contract selection tiers on thresholds set for approval by the agency contract review board.

should take, we reviewed policies and procedures on timing at each agency and its components. To determine the time needed for acquisition planning for the selected contracts, we interviewed cognizant contracting officials and program officials, when available, involved when planning began, reviewed contract files documents for key acquisition planning milestones, and calculated the time between these dates.

We conducted this performance audit from May 2010 to August 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Pre-solicitation Phase Activities

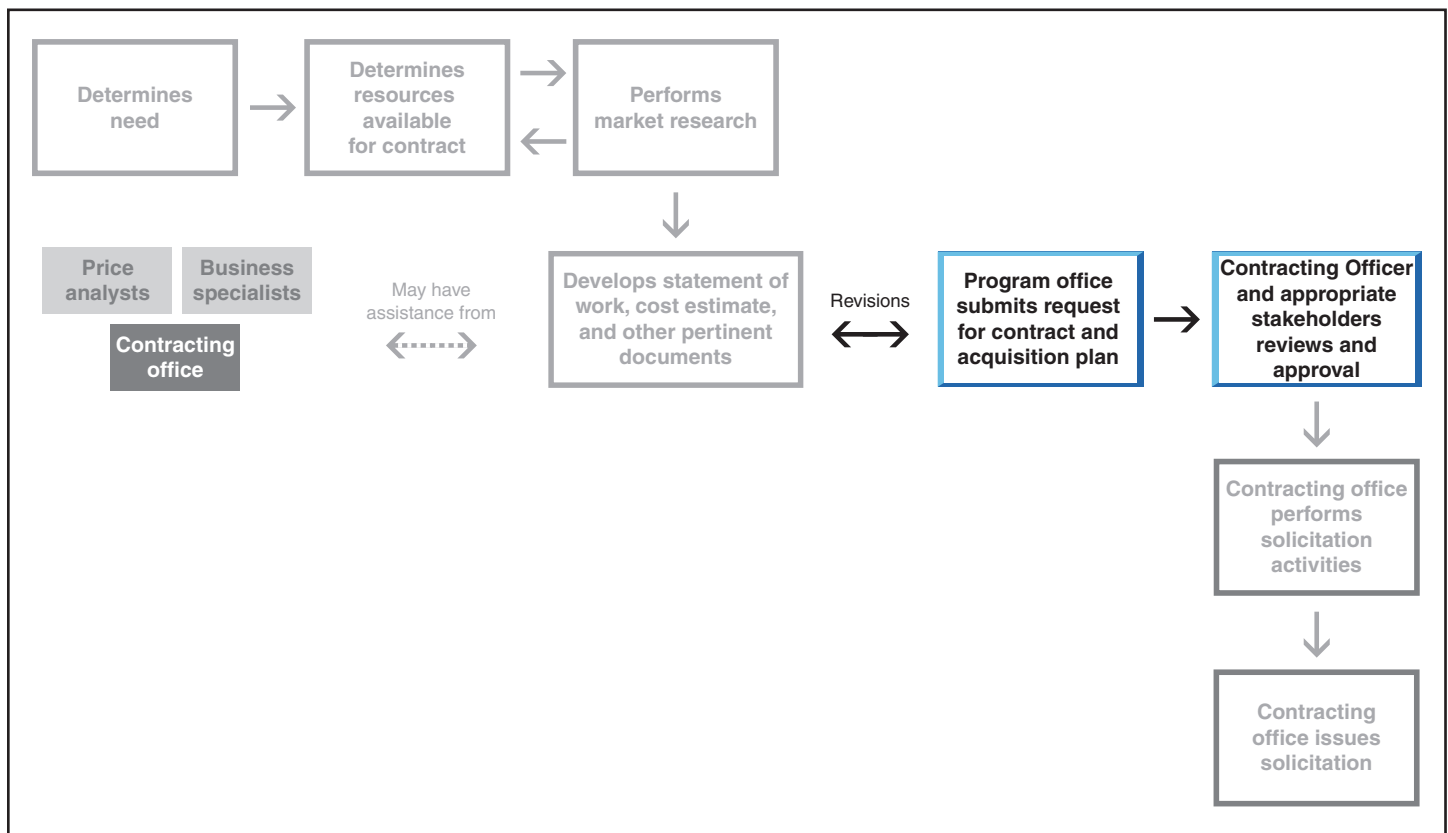
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Source: GAO analysis of agency acquisition planning processes.

Appendix III: Procurement Request Phase Activities

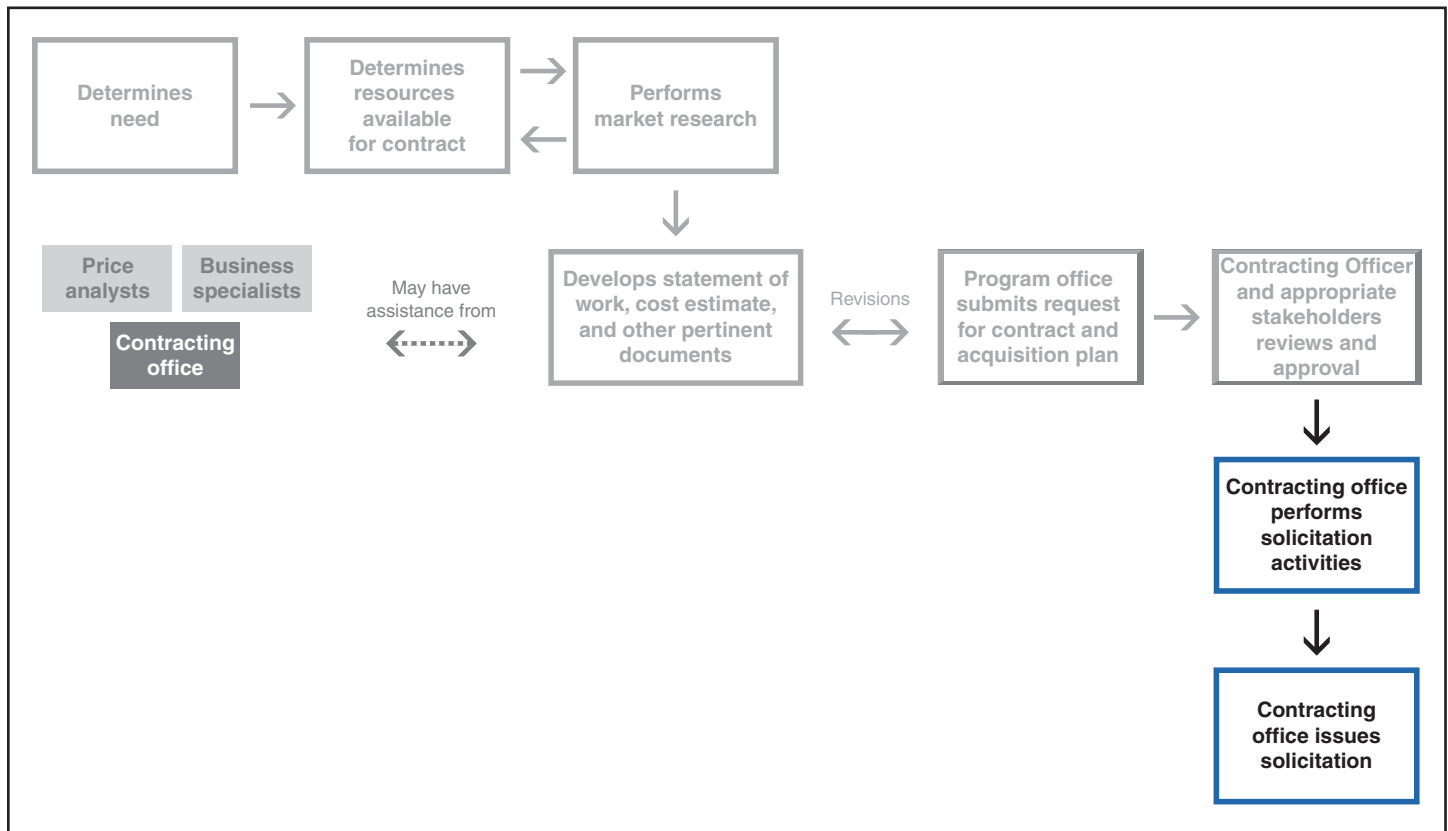
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Source: GAO analysis of agency acquisition planning processes.

Appendix IV: Solicitation Phase Activities

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Source: GAO analysis of agency acquisition planning processes.

Appendix V: Selected Case Example Contracts

Component	Description	Total contract value at award	New or follow-on contract	Level of competition ^a	Contract type	Written acquisition plan	Cost estimate pre-solicitation
HHS							
Centers for Disease Control and Prevention	Biosafety laboratory inspection	\$421,435	New	Not competed	Fixed price with economic adjustment	No (none required)	Yes
Centers for Disease Control and Prevention	Logistics and meeting support	\$4.1 million	Follow-on	Not competed	Firm fixed price	No	Yes
Centers for Disease Control and Prevention	Management and technical consulting	\$210 million	Follow-on	Competed	Firm fixed price or fixed price labor hours	No	Yes
National Institutes of Health	Conference planning support	\$1.3 million	Follow-on	Competed	Firm fixed price	Yes	Yes
National Institutes of Health	Educational marketing	\$2.5 million	Follow-on	Not competed	Cost plus fixed fee	Yes	Yes
National Institutes of Health	IT support	\$18.5 million	New	Competed	Cost plus fixed fee	Yes	Yes
DHS							
Customs and Border Protection	IT lifecycle support	\$2 million	New	Not competed	Firm fixed price	No (none required)	Yes
Customs and Border Protection	Advertising support	\$13.6 million	Follow-on	Competed	Time-and-materials	Yes	Yes
Customs and Border Protection	Background investigation	\$125 million	Follow-on	Competed	Firm fixed price	Yes	Yes
Federal Emergency Management Agency	Setting building standards for earthquake hazards	\$4.5 million	Follow-on	Not competed	Cost with no fee	Yes (none required)	Yes
Federal Emergency Management Agency	Public service campaign for emergency preparedness	\$11 million	Follow-on	Not competed	Cost plus fixed fee	Yes	Yes
Federal Emergency Management Agency	Disaster response	\$375 million	Follow-on	Competed	Firm fixed price/cost plus fixed fee hybrid	Yes	Yes
NASA							
Goddard Space Flight Center	Electronics development for lunar equipment	\$2 million	Follow-on	Not competed	Cost with no fee	No (none required)	Yes
Goddard Space Flight Center	Facility maintenance and operations	\$29 million	Follow-on	Not competed	Cost with no fee	Yes	Yes

Appendix V: Selected Case Example Contracts

Component	Description	Total contract value at award	New or follow-on contract	Level of competition ^a	Contract type	Written acquisition plan	Cost estimate pre-solicitation
Goddard Space Flight Center	Facility test and integration	\$190 million	Follow-on	Competed	Cost plus fee	Yes	Yes
Johnson Space Center	Maintenance of aircraft fleet	\$4.9 million	Follow-on	Competed	Time-and-materials	Yes (none required)	Yes
Johnson Space Center	Reviews and assessments for planning office	\$30 million	Follow-on	Competed	Firm fixed price	Yes	Yes
Johnson Space Center	International Space Station technical support	\$180 million	Follow-on	Competed	Fixed rate	Yes	Yes
USAID							
Agencywide	Regional cooperation program technical and administrative support	\$1.8 million	New	Competed	Cost plus fixed fee	No (none required)	Yes
Agencywide	Chief Operating Office program and operational support	\$3.2 million	New	Not competed	Time-and-materials	No (none required)	Yes
Agencywide	Microenterprise development communications and training support	\$18.7 million	New	Competed	Cost plus fixed fee	No (none required)	No
Democracy, Conflict, and Humanitarian Assistance Division	Technical and analytical services for setting nutritional standards for food aid	\$1.5 million	New	Competed	Cost plus fixed fee	No (none required)	Yes
Democracy, Conflict, and Humanitarian Assistance Division	Disaster assistance in Latin America	\$29.6 million	Follow-on	Competed	Cost plus fixed fee	No (none required)	Yes
Democracy, Conflict, and Humanitarian Assistance Division	Global anticorruption and good governance	\$750 million	Follow-on	Competed	Time-and-materials	No (none required)	No

Source: GAO analysis of documents from selected contract files.

^aLevel of competition describes whether or not the action used competitive procedures.

Appendix VI: Comments from the Department of Homeland Security

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

July 20, 2011

John P. Hutton
Director, Acquisition and Sourcing Management
441 G Street, NW
U.S. Government Accountability Office
Washington, DC 20548

Re: Draft Report GAO-11-672, "ACQUISITION PLANNING: Opportunities to Build Strong Foundations for Better Services Contracts"

Dear Mr. Hutton:

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the U.S. Government Accountability Office's (GAO's) work in planning and conducting its review and issuing this report.

The Department is pleased to note the report's positive acknowledgement that DHS has established policies that set different requirements and levels of oversight for acquisition planning to balance oversight with time and administrative burden. The report also recognizes that DHS has implemented policies and guidance for written acquisition plans that closely align with Federal Acquisition Regulation (FAR) requirements. DHS is committed to continuing efforts to instill more discipline and rigor in its acquisition planning process.

This draft report contained two recommendations, directed at DHS, one with which DHS concurs and one with which the Department nonconcurs. Specifically, in order to take full advantage of important acquisition planning elements and to ensure that information is available for future use, GAO recommended that the Secretary of Homeland Security:

Recommendation 1: Direct its procurement office to ensure that agency and component guidance clearly define the role of cost estimating and the incorporation of lessons learned in acquisition planning, as well as specific requirements for what should be included in documentation of these elements in the contract file.

Response: Concur. With regard to ensuring that agency and Component guidance clearly define the role of cost estimating, the Homeland Security Acquisition Manual (HSAM)

contains guidance on the applicability of an Independent Government Cost Estimates (IGCE). DHS created a computer based training class on the preparation of IGCE's and is in the process of issuing a Contracting Office Technical Representative Core Element Guide. Additionally, some of the DHS Component procurement offices have Standard Operating Procedures/guidance on IGCE preparation. We will review our regulations/guidance and determine the appropriate action to ensure that the existing guidance clearly defines cost estimating.

With regard to the recommendation on lessons learned, the October 2009 HSAM 3007 policy governing acquisition planning and Appendix H did not address lessons learned. However, the Office of the Chief Procurement Officer issued HSAM Notice 2011-06 on Thursday, June 30, 2011, to update HSAM 3007 and Appendix H. The updated policy revised Part II, Section B5, Acquisition Considerations to include a data element requiring acquisition planners to discuss "whether lessons learned from previous acquisitions impact any aspect of the current acquisition and if knowledge gained from the prior acquisitions has been used to further refine the requirement or the acquisition strategy consistent with FAR 7.103(r). If prior acquisitions have not been reviewed, provide the rationale for not reviewing historical information to obtain lessons learned."

To allow sufficient time for acquisition planning, GAO also recommended that the Secretary of Homeland Security:

Recommendation 2: Direct its procurement offices to collect information about the timeframes needed for the acquisition planning process—including the pre-solicitation phase—and use the information to establish timeframes for when program officials should begin acquisition planning.

Response: Nonconcur. DHS does not believe it is necessary, nor is it an efficient use of resources, to collect data in order to establish timeframes for when program officials should begin acquisition planning because the existing FAR and DHS policy already adequately address this issue. In particular, FAR 7.104(a) states "Acquisition planning should begin as soon as the agency need is identified, preferably well in advance of the fiscal year in which contract award or order placement is necessary. In developing the plan, the planner shall form a team consisting of all those who will be responsible for significant aspects of the acquisition, such as contracting; fiscal; legal; and technical personnel." DHS policy further emphasizes the need for adequate acquisition planning. HSAM Notice 2011-06 added subsection 3007.104 encourages early planning and addresses procurement administrative lead times:

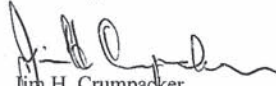
"In accordance with FAR 7.104(a), acquisition planning should begin as soon as the agency need is identified. Planners must pay close attention to the procurement administrative lead time (PALT) needed to award complex procurements using various methods of procurement and contract types, taking into consideration the need for vendor engagement, and the need to conduct the workforce assessment. Early formation of the IPT will ensure that the appropriate subject matter experts described at HSAM 3007-102(b)(1) and FAR 7.104 are involved in the development of the acquisition plan; that there is sufficient time to ensure that the contracting officer complies with all requirements of law, executive orders, regulations, and all other applicable

**Appendix VI: Comments from the Department
of Homeland Security**

procedures, including clearances; and that goods and services are procured in a timely manner and at a reasonable price to meet mission needs. Planners shall ensure that acquisition plans are coordinated with the appropriate small business specialist pursuant with the threshold at FAR 7.104(d)(2)(i)(C).”

Again, thank you for the opportunity to review and comment on this draft report. Technical comments were previously provided under separate cover. We look forward to working with you on future Homeland Security issues.

Sincerely,



Jim H. Crumpacker
Director
Departmental GAO/OIG Liaison Office

Appendix VII: Comments from the National Aeronautics and Space Administration

National Aeronautics and
Space Administration
Headquarters
Washington, DC 20546-0001



Reply to Attn of: **Office of Procurement**

Mr. John P. Hutton
Director
Acquisition and Sourcing Management
United States Government Accountability Office
Washington, DC 20548

Dear Mr. Hutton:

The National Aeronautics and Space Administration (NASA) appreciates the opportunity to review and comment on the Government Accountability Office (GAO) draft report entitled, "Acquisition Planning: Opportunities to Build Strong Foundations for Better Services Contracts" (GAO-11-672).

In the draft report, GAO provides two recommendations to the NASA Administrator. Our responses to GAO's recommendations, along with preliminary plans of action intended to implement the recommendations, follow.

Recommendation 1: To take fuller advantage of important acquisition planning elements and to ensure that information is available for future use, we recommend that the Secretaries of HHS and DHS and the Administrators of NASA and USAID direct their procurement offices to ensure that agency and component guidance clearly define the role of cost estimating and the incorporation of lessons learned in acquisition planning, as well as specific requirements for what should be included in documentation of these elements in the contract file.

Management's Response: Concur. NASA agrees with the GAO finding that the use of lessons learned is an effective means for improving an Agency's contracting effectiveness. Several structural and procedural methods are already in place to capture this information. Examples include the Procurement Strategy Meeting (PSM) process and the establishment of Source Evaluation Board (SEB) offices within many NASA Centers. PSMs are required for select, high-value actions. The PSM process requires acquisition teams to provide a structured briefing that covers all acquisition plan requirements to senior NASA stakeholders. At the briefing, comments and suggestions are recorded in formal minutes that capture the remarks and their resolution. This flow down of knowledge is formally captured in the contract file and shared with teams preparing for subsequent PSMs.

Another technique is the establishment of Source Evaluation Board (SEB) offices at the field centers. NASA Centers maintain SEB coordinators who are responsible for managing major procurements and lessons learned to ensure acquisition planning is consistently applied. SEB offices assist program officials and contracting officers when they are awarding large contract actions utilizing source selection procedures. Formal source selection is the most complex process an acquisition organization is likely to perform. Because of their length (normally 12-18 months), contracting officers do not repeat the process often. The SEB office supports all the source selections at the Center and therefore benefits from experience with multiple source selections. SEB staff gathers and shares the lessons learned at the team in-briefs and in their "Just in Time" training sessions. Often, the last contracting officer to complete a source selection is asked to brief the incoming team on what they experienced and learned. Lessons learned are built into checklists and templates.

In March of 2010, the NASA Office of General Counsel and the Office of Procurement co-sponsored a three-day seminar that covered all aspects of source selection. The purpose of the training was to foster communication and lessons learned from Headquarters and all Centers. Topics addressed included review of the Source Selection Guide for SEB Procedures, GAO Bid Protests, Conducting Debriefings, Price Evaluations, Past Performance Evaluations, Lessons Learned from the SEB Chair, and Lessons Learned from the Source Selection Authority. This training session was attended by more than 100 Agency acquisition and legal personnel across NASA and was very well received by all who attended.

While these processes are effective, we plan to further enhance the use of lessons learned. Acquisition plans will be required to specifically address lessons learned from earlier contract actions and steps taken to mitigate these issues as well as fully documenting the rationale for cost estimates. Contracting officers will be encouraged to review previously awarded contracts for similar goods/services to enhance their understanding of the issues surrounding an acquisition.

Recommendation 2: To allow sufficient time for acquisition planning, we recommend that the Secretaries of HHS and DHS and the Administrators of NASA and USAID direct their components procurement offices to collect information about the timeframes needed for the acquisition planning process – including the pre-solicitation phase – and use the information to establish timeframes for when program officials should begin acquisition planning.

Management's Response: Partially concur. The success of NASA's missions depends on NASA's ability to acquire the systems research, services, construction, and supplies required to plan, develop, and execute its missions. NASA's Policy Directive 1000.5A "Policy for NASA Acquisition" provides guidance on the acquisition process as it complies with NASA obligations as a Federal agency. NASA does not agree that procurement offices should establish timeframes for program officials' acquisition planning. Acquisition planning timeframes will differ across programs for reasons such as program complexity, strategic planning, budget considerations, and the type of product or service needed.

NASA will continue its commitment to timely acquisition planning with sustained, strong relationships between Center procurement offices and NASA program officials and through use

of the NASA Master Buy Plan. The Master Buy Plan already applies to each acquisition, including supplemental agreements, and acquisitions with other Government agencies, where the dollar value, including the aggregate amount of options, follow-on acquisitions, or later phases of multi-phase acquisitions, is considered significant. The NASA Master Buy Plan Database (MBPD) is an acquisition planning tool that provides information on planned acquisitions to enable management to focus its attention on a representative selection of high-dollar-value and otherwise sensitive acquisitions. All MBPD procurement actions are measured against planned dates for the pre-award activities: Procurement Strategy Meeting, Issuance of Draft RFP, Issuance of Final RFP, Proposal Due Date, Pre-Negotiation Memo Date, Discussions/Negotiations, Selection Date, Protests, Contract Award, and Contract Cancellation.

Thank you for the opportunity to comment on this draft report. If you have any questions or require additional information, please contact Diane Thompson at (202) 358-0514.

Sincerely,



William P. McNally
Assistant Administrator for Procurement

Appendix VIII: Comments from the U.S. Agency for International Development



July 21, 2011

John P. Hutton
Director, Acquisition and Sourcing Management
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. Hutton:

I am pleased to provide the U.S. Agency for International Development's formal response to the GAO draft report entitled: "Acquisition Planning: Opportunities to Build Strong Foundations for Better Services Contracts" (GAO-11-672).

The enclosed USAID comments are provided for incorporation with this letter as an appendix to the final report.

Thank you for the opportunity to respond to the GAO draft report and for the courtesies extended by your staff in the conduct of this audit review.

Sincerely,

Sean C. Carroll /s/
Chief Operating Officer
U.S. Agency for International Development

Enclosure: a/s

- 2 -

“Acquisition Planning: Opportunities to Build Strong Foundations for Better Services Contracts” (GAO-11-672)

Recommendation 1: We recommend that the Administrator of USAID direct the Office of Acquisition and Assistance to establish requirements specifying dollar thresholds for when written plans should be developed, documented, and approved.

Management Comments: USAID concurs with GAO’s recommendation to specify thresholds and clarify procedures for written acquisition plans. USAID has historically captured some elements of acquisition planning in the development of program/project planning and approval documents, but the different policy sections in the Automated Directive System (ADS) and the USAID Acquisition Regulation (AIDAR) are not fully adequate to meet Federal Acquisition Regulations (FAR) requirements for acquisition planning. We recognize that the Agency would benefit from more formal, comprehensive policy and procedures that address these FAR requirements.

Recommendation 2: We recommend that the Administrator of USAID direct the Office of Acquisition and Assistance to establish standard acquisition plan formats that align with the FAR.

Management Comments: USAID concurs. USAID is currently in the process of developing a consistent format that will be utilized in FY2012.

Recommendation 3: We recommend that the Administrator of USAID direct the Office of Acquisition and Assistance to develop templates and guidance to help program officials prepare reliable cost estimates.

Management Comments: USAID concurs. USAID includes as part of its training of Contracting Officer’s Technical Representatives (COTRs) the requirements of undertaking independent cost estimates. USAID has established a number of areas for enhancements under USAID Forward and Implementation and Procurement Reform, and will ensure that enhanced templates and guidance on cost estimates are undertaken to have a consistent source of information for program officials.

Recommendation 4: We recommend that the Administrator of USAID direct the Office of Acquisition and Assistance to take fuller advantage of important acquisition planning elements and to ensure that information is available for future use.

Management Comments: USAID concurs. As a part of Implementation and Procurement Reform, as mentioned above, and as a result of an internal USAID Business Process Review in 2010, USAID has identified several important elements of acquisition planning on which we plan to place further emphasis in Agency guidance. USAID is pursuing implementation of recommendations in these areas for incorporation in acquisition planning for FY 2012.

Recommendation 5: We recommend that the Administrator of USAID direct the Office of Acquisition and Assistance to ensure that agency and component guidance clearly define the role

- 3 -

of cost estimating and the incorporation of lessons learned in acquisition planning, as well as specific requirements for what should be included in documentation of these elements in the contract file.

Management Comments: USAID concurs with GAO's recommendation to clearly define roles, incorporate lessons learned, and document acquisition planning elements. USAID views effective acquisition planning as critical to timely and successful launching of development assistance programs throughout the world. Some elements of acquisition planning are part of USAID's activity authorization policies, some other elements are contained within different Agency policy references, and there are remaining aspects that need to be clarified as part of our policies to reflect all required elements. USAID will also ensure that its guidance addresses requirements for file documentation.

Recommendation 6: We recommend that the Administrator of USAID direct the Office of Acquisition and Assistance to allow sufficient time for acquisition planning and direct their components' procurement offices to collect information about the timeframes needed for the acquisition planning process—including the pre-solicitation phase—and use the information to establish timeframes for when program officials should begin acquisition planning.

Management Comments: USAID concurs with GAO's recommendation to direct timeframes needed for acquisition planning, include the pre-solicitation phase, and establish timeframes for program officials. As noted above, USAID undertook a Business Process Review in 2010 to gather specific timeframes experienced in USAID/Washington and field Missions for competitive acquisition and assistance. USAID recognizes that effective procurement planning also includes the pre-solicitation phase. A key element within Implementation and Procurement Reform is to enhance competitive processes which include the ability to undertake more robust competitions within reduced timelines while concurrently ensuring compliance with applicable regulations.

Appendix IX: GAO Contact and Staff Acknowledgments

GAO Contact

John P. Hutton, (202)512-4841 or huttonj@gao.gov

Staff Acknowledgments

In addition to the contact named above, the following individuals made key contributions to this report: Penny Berrier (Assistant Director); Morgan Delaney Ramaker; Alexandra Dew Silva; Meghan Hardy; Julia Kennon; Anne McDonough-Hughes; Amy Moran Lowe; Ramzi Nemo; Kenneth Patton; Guisseli Reyes-Turnell; Roxanna Sun; Ann Marie Udale; and Alyssa Weir.

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